



**COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT**

**SUMMARIZED MINUTES**

Thursday, June 14, 2012

4:00 p.m.

City Hall, Kiva Conference Room

3939 N. Drinkwater Blvd, Scottsdale, AZ 85251

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**PRESENT:** Mayor W.J. "Jim" Lane  
Vice Mayor Dennis Robins  
Councilwoman Linda Milhaven

**STAFF:** Cindi Eberhardt  
Paul T. Katsenes  
Rob Millar  
Gary Mascaro  
Christine Sheehy  
Rose Wright  
Linda Walton  
David Smith  
Kate O'Malley  
Bob Tunis  
Lee Guillory  
J.P. Twist  
Lisa Gurtler  
Ben Moriarity  
Kelly Ward

**GUESTS:** Jim Keeley  
Gary Drummond  
Marc Grayson

**Call to Order/Roll Call**

Mayor Lane called the regular meeting of the Council Subcommittee on Economic Development to order at 4:00 p.m. A formal roll call confirmed members present as stated above, noting the presence of a quorum.

**1. Approval of May 24, 2012 Minutes**

**VICE MAYOR ROBBINS MOVED TO APPROVE THE MINUTES OF THE MAY 24, 2012 MEETING OF THE COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT. COUNCILWOMAN MILHAVEN SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF THREE (3) TO ZERO (0).**

**2. Airpark Broker Report**

Jim Keeley said the Scottsdale office of Colliers International has been located in the Airpark since 1983. The employment core of the Airpark began as a set of small office/warehouse units. The current real estate downturn started five years ago, and prices have been bottoming out for the last 18 months. The office sector was impacted the hardest because of an oversupply of office buildings. Employment in Maricopa County started shrinking. Office rental rates fell from around \$30 per square foot, at the peak, to around \$19 per square foot. Smaller companies have been moving into Class A space as rents became more affordable. Office value fell from \$300 per square foot to \$100 per sq. ft. Industrial office building value fell from \$160 sq. ft. to \$100 sq. ft. Many office/warehouse buildings in the Airpark are worth under \$2 million, making them accessible to general business owners. The retail sector is in flux right now. Scottsdale real estate did not fall as much as land on the outskirts of Maricopa County. Although land prices are lower, there is not much available land in the Airpark. The few remaining lots jumped in value. Overall, land prices should recover once lenders start lending again. The MAX at Kierland just sold for \$306 per sq. ft., but that is a Class A property.

Mayor Lane said there have been suggestions that the City transition the Airpark into other uses. The area has changed on its own, with pharmaceutical companies, prosthetics, dental companies and a variety of other technology companies recently arriving. Mr. Keeley agreed that the area has transitioned to mixed use, which allows people to live closer to work. This transformation has made the area more attractive to high tech and medical-related companies. Mayor Lane inquired whether the addition of apartments in the area would tighten up the commercial office and industrial markets. Mr. Keeley said he did not think so, since the area contains many older buildings that can be replaced, and there is 1,000 acres of State land to the north which can feed into the Airpark.

Mayor Lane inquired about vacancy rates moving forward. Mr. Keeley responded that during normal times, a vacancy rate of 10% is healthy. Vacancy in the Airpark peaked at 29% in 2009, and was at 23% in 2011. The Perimeter Center is a nice industrial park, but has the highest vacancy rate of office buildings because of a lack of lunchtime services. The Kierland has a much lower vacancy rate because there are so many services within walking distance. The Price Corridor in Chandler offers competition that did not exist 20 years ago, but the Airpark still has a stellar reputation. He applauded the City for improving transportation corridors through the area.

Mayor Lane asked whether vacancy rates in the Airpark show signs of tightening up in 2012, as they have in downtown. Mr. Keeley explained that the younger generation expects amenities to be within walking distance, so employers are looking for spaces downtown. The Airpark does not have the same number of amenities as downtown does. Mayor Lane queried whether mass transit improvements add to the attraction of the Airpark. Mr. Keeley responded that he has not heard anything about the express buses, but many younger people wish they had the option to take light rail and not have to rely on cars all the time. They want to live, work and play in the same place. The Airpark is unique in the county in that 50,000 people work in a 3,000-acre core, and they think light rail should extend there.

Vice Mayor Robbins inquired about the redevelopment of old industrial areas. Mr. Keeley felt that teardowns in those areas would be rare until density increases. Scottsdale corridor is an example of what could happen eventually. Mayor Lane said one of the common concerns related to density is gridlock. Transportation adjustments

will become essential. Mr. Keeley said the runway presents unique problems, but he feels the City has a good plan to address it.

### **3. Airpark Report**

Gary Mascaro, Aviation Director, reported that the Airport turns 70 this year, having opened in 1942. The City purchased the airfield in 1966. The actual Airport property is only 300 acres. The Airpark consists of private property that has direct access to the public-use Airport via private taxi lanes. Six taxi lanes access the Airport through physical gates, while private property on the east side has direct access to the airfield with no fence. They treat their facility just like the Airport, and there have never been any issues associated with that arrangement. The Airport serves general aviation, and there is no scheduled service. There is only one runway. It is the largest corporate facility in the Valley and the state.

Mr. Mascaro said staff is developing a master plan for the Airport, and is conducting an economic impact study. The Airport has two top tier fixed-base operators, servicing a clientele that is 60% transient in nature. Those two companies make up over 50% of total Airport enterprise revenue. The Airport strives to offer the best service, offering amenities that other facilities typically do not. The primary competition is Sky Harbor Airport. The lifting of the 100,000-pound weight limit was a huge benefit, because heavier aircraft had to base out of Phoenix. The City is working with the FAA to retain this ability permanently. Scottsdale is the first airport in Arizona with special clearance to fly directly to DCA. U.S. Visit now makes it possible for the Airport to accept anybody from anywhere in the world, directly. Previously they would have to get clearance at other locations before coming to Scottsdale. Customs service revenue increased 25% over last year because of U.S. Visit. This brings in more money from fuel operations and generates room nights at nearby hotels. Paul Katsenes added that it also means that companies located in Scottsdale can do business worldwide before returning home. People who come to Scottsdale for tourism can now fly direct.

Mr. Mascaro said the SCVB and Economic Vitality will help highlight the Airpark at the National Business Aviation Association annual conference in October. About 26,000 people attend this event, 47% of whom are CEOs and decision makers. They are looking to come to Scottsdale, buy and hangar aircraft here, and are inquiring about the services provided. Barrett-Jackson has agreed to bring a show car to the event, as many of their clients use the Airport. Set Jet is a company that will provide on-demand charter operations from Scottsdale, using several aircraft. They will focus on flights to Los Angeles, San Diego, and Las Vegas, beginning in October. Terminal renovations will occur this summer in preparation for their arrival.

Mr. Mascaro explained that a project is underway to upgrade way-finding signage. The new master plan is the first for the airport since 1997. It will also address the Airpark property. Air Fair is returning to the Airport this year. Organizers will take on all burdens and liabilities. The City will help with in-kind services. There will be no monetary impacts on the Airport Enterprise Fund. Honda Jet is an aircraft in development for sale in 2016. They have been discussing a plan to create a sales and service center at Scottsdale airport. It will be one of only five in the country, and the only one in the Western/Pacific region. Last week, a potential helicopter engine repair station was looking into basing at the Airpark.

Mayor Lane said Scottsdale's airport layout is appealing, and other airports have been visiting to learn why it has been so successful. The through-the fence access that private businesses have is nearly unique.

#### **4. Industrial Development Authority (IDA) Update**

Gary Drummond, legal counsel for the Scottsdale IDA, discussed the financing potential of revitalization districts. IDA statutes go back to the early 1970s. Since then, the IDA has issued over 30 different bonds, totaling more than \$1 billion. The State legislature recently enacted some revitalization district statutes, and City staff asked whether IDA would play a supportive role in getting those statutes off the ground for Scottsdale. The Board agreed to lend any assistance the City of Scottsdale might request. It could be anything from helping the City develop procedures and policies or even getting involved in analyzing revitalization district applications. The statutes allow the IDA to enter into advisory cooperative agreements with municipalities. The ultimate decision making authority is vested in the City.

Mayor Lane said one of the obstacles the City has faced regarding revitalization districts is how to go about finding a financing mechanism that does not expose the City to greater risk, and avoids participating in the funding of a private property. Mr. Drummond explained that applicants have to decide whether their needs can be satisfied through these statutes, even if the bonds would be taxable. Bonds are not the only option. The City is not obligated for what this district does in terms of financing. The statute is clear that purchasers of these bonds cannot look to the City for repayment.

Vice Mayor Robbins inquired whether the IDA is offering assistance in establishing financial policies, or with evaluating specific districts that might come along. Mr. Drummond responded that the IDA is willing to help in whatever way the City needs. Councilwoman Milhaven suggested the IDA could offer advice on policies and procedures to narrow down the statute, the application process, and the types of projects to finance. Mayor Lane said he would appreciate the IDA's assistance in evaluating the viability of the funding mechanism, and determining how the City would lend itself to any particular issue. He requested time to review the proposal.

#### **5. Economic Development Report**

Cindi Eberhardt, Economic Development Assistant Director, reported that the majority of connections and prospects come through personal contacts, direct phone calls, and outreach. The Greater Phoenix Economic Council has provided a number of lead opportunities. Targeted industries comprise 46% of prospects. About \$220 million in capital has been reinvested in the McDowell Road corridor. Staff is putting together a printed report on developments and opportunities in the corridor.

Mayor Lane inquired whether the report would provide information on the industries that are already present in the area, as a way of fostering industry clusters. Ms. Eberhardt said the report offers a static overview of the area, but will also include supplemental inserts to provide updated information. The report focuses on the availability of a talented local workforce, which is an important factor for employers. Mayor Lane pointed at a number of examples where businesses opted to locate to Scottsdale because of the industries that were already present. The report should also address the questions that are posed to the City from companies who are looking to relocate to Scottsdale.

Ms. Eberhardt reported that the feedback from the recent Subcommittee meeting on the downtown area has been tremendous. The news was very encouraging for those in attendance, and they are eager to see more of that type of activity in downtown on a regular basis. Mayor Lane noted that all of the biomedical and bioscience companies that the Haikou delegation visited during their recent trip have been invited back to Haikou, China in August.

Ms. Eberhardt reported that T-Gen Drug Development has forged a partnership with a Boston-based biotech company. The State land auction on May 15 was successful, and Scottsdale is looking to develop that 30-acre parcel. Nine acres will be developed into a luxury car dealership. On October 18, a development agreement amendment was approved with the State Land Department, allowing \$9.3 million to come back to the City to reimburse it for infrastructure improvements.

Ms. Eberhardt said Small Business Saturday will occur on the day after Black Friday again this year. Staff will work with downtown merchants to increase the visibility of the event this year. Mayor Lane asked whether Scottsdale would be the only city in Arizona to be part of the event. Ms. Eberhardt explained that it is too early to tell, but they have targeted Scottsdale as a planning partner. Mayor Lane noted that Scottsdale was selected last year because of the emphasis it places on small businesses in downtown.

Ms. Eberhardt stated that since the first Western Museum RFP did not result in any bid submittals, it was revamped to apply to the entire parcel. The cultural RFQ was released on May 25, with responses due by July 24. Economic Development is developing a plan to reach out to businesses whose leases are expiring within the next 18 months, to enhance retention and expansion opportunities.

Ms. Eberhardt said GPEC launched an initiative to identify defense-related businesses in the community in preparation for expected defense cuts. Mayor Lane felt that the State should respond as proactively as possible. Mr. Katsenes noted that the Warren Act requires the Federal government to warn mayors of major reductions planned in their communities. Quick reaction is needed to ensure that laid off employees receive placement support within the community. Mayor Lane Scottsdale and GPEC should support any legislation to remedy the situation as quickly as possible.

**6. Open Call to the Public**

None.

**7. Future Agenda Items**

None.

**Adjournment**

With no further business before the Subcommittee, the meeting adjourned at 5:35 p.m.

Respectfully submitted,  
A/V Tronics, Inc. DBA AVTranz.